S T A T E O F N E W Y O R K

6453--A

2015-2016 Regular Sessions

I N A S S E M B L Y

March 25, 2015

Introduced by M. of A. MAGNARELLI, GUNTHER, JAFFEE, ZEBROWSKI, COLTON, PERRY, BENEDETTO, ORTIZ, PAULIN, CAHILL, WRIGHT, STIRPE, BRINDISI, LINARES, TITONE, MILLER, BARRETT, GOTTFRIED, COOK, OTIS, BLAKE, SKARTADOS, PICHARDO, HOOPER, ARROYO, DenDEKKER -- Multi-Sponsored by -- M. of A. BUCHWALD, DAVILA, ENGLEBRIGHT, MAGEE, MARKEY, ROBINSON, SCHIMEL, SCHIMMINGER -- read once and referred to the Committee on Governmental Employees -- recommitted to the Committee on Governmental Employees in accordance with Assembly Rule 3, sec. 2 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the retirement and social security law, in relation to providing credit to members of public retirement systems of the state for certain military service

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Paragraph (d) of subdivision 2 of section 1000 of the retirement and social security law, as added by chapter 548 of the laws of 2000, is amended to read as follows:

(d) hostilities participated in by the military forces of the United States, from the second day of August, nineteen hundred ninety, to the end of such hostilities in case of a veteran who served in the theater of operations including Iraq, Kuwait, Saudi Arabia, AFGHANISTAN, Bahrain, Qatar, the United Arab Emirates, Oman, the Gulf of Aden, the Gulf of Oman, the Persian Gulf, the Red Sea, and the airspace above these locations.

S 2. Notwithstanding any other provision of law to the contrary, none of the provisions of this act shall be subject to section 25 of the retirement and social security law.

S 3. This act shall take effect immediately and shall be deemed to have been in full force and effect on and after December 21, 1998.

FISCAL NOTE. -- Pursuant to Legislative Law, Section 50:

EXPLANATION--Matter in ITALICS (underscored) is new; matter in brackets [ ] is old law to be omitted.

LBD01759-03-6

PROVISIONS OF PROPOSED LEGISLATION: With respect to the New York City Retirement System (NYCRS), the proposed legislation would amend the New York State Retirement and Social Security Law (RSSL) Section 1000 to provide members of the New York City Employees' Retirement System (NYCERS), the New York City Teachers' Retirement System (NYCTRS), the New York City Board of Education Retirement System (BERS), the New York City Police Pension Fund (POLICE), and the New York Fire Department Pension Fund (FIRE) the opportunity to obtain additional retirement service credits, up to three years (inclusive of any prior purchases of military service credit), for military service in Afghanistan from August 2, 1990 to the end of such hostilities, provided certain conditions are met.

In order to purchase such military service, a member would be required to:

* Receive an honorable discharge from military service,

* Make an application for these additional service credits prior to the date of retirement, but after completing five years of credited service (exclusive of the service credit that could be purchased under this proposed legislation), and

* Pay the appropriate NYCRS, for each year of military service purchased, a sum equal to 3.0% (6.0% for members who first join on or after April 1, 2012) of such member's compensation earned during the twelve months of credited service immediately preceding the date the member applies for military service credit.

The effective Date of the proposed legislation would be the date of enactment and shall be deemed to have been in full force and effect on and after December 21, 1998.

The Actuary has presumed that retirees as of the enactment of this proposed legislation would not be eligible to purchase additional military service provided by this proposed legislation.

IMPACT ON BENEFITS: For purposes of the respective NYCRS, each year of military service credit purchased would apply toward providing the member with an additional year of benefit accrual under the particular benefit formula covering the member.

In certain circumstances, the member also may be entitled to utilize such military service as qualifying service for pension eligibility purposes.

For purposes of this Fiscal Note, it has been assumed that members who purchase military service in accordance with this proposed legislation would generally be entitled to count such service for both pension accrual and eligibility purposes.

MEMBERS IMPACTED: Insofar as this proposed legislation relates to the NYCRS, the number of members who could potentially benefit from this proposed legislation cannot be readily determined due to the lack of creditable data.

For illustrative purposes only, the table below presents the estimated financial impact if one member in each of the NYCERS were eligible and each member purchased one year of service.

FINANCIAL IMPACT - OVERVIEW: With respect to an individual member, the additional cost of this proposed legislation would depend on the member's length of service not including the military service being purchased, the years of military service being purchased, age, salary history, and Plan in which the member participates. Since this data is not available and we are not able to estimate the number of members who might be eligible to take advantage of this proposed legislation, we are not able to provide an estimate of total cost. However, we have provided

in the table below the additional actuarial Present Value (APV) of benefits, the additional APV of future employer contributions, and the estimated first year additional employer contributions per member per year of service purchased.

With respect to employers participating in the NYCERS, the ultimate employer cost of this proposed legislation would be determined by the increase in benefits to be paid, the impact of certain benefits commencing earlier, shorter working lifetimes, and the reduction in certain future member contributions.

FINANCIAL IMPACT - ADDITIONAL EMPLOYER CONTRIBUTIONS: Enactment of this proposed legislation would increase employer contributions, where such amounts depend on the number of members affected and upon the amount of military service being credited as well as other characteristics including the age, salary history and Plan in which the member participates. With respect to timing, increases in employer contributions would depend upon when the members purchase the military service permitted by the proposed legislation and such service is credited to their records. Generally, under the one year lag methodology, the increase in employer contributions will occur the second fiscal year following the fiscal year in which the purchase occurred.

FINANCIAL IMPACT - SUMMARY: The following table summarizes the estimated financial impact of this proposed legislation on the NYCRS assuming one member in each System purchases one year of service:

Estimated Financial Impact to NYCRS for Allowing Members To Purchase Military Service Credit

(per member per year)

NYCRS	Additional APV of Benefits	Additional APV of Future Employer Contributions{1}	Estimated First Year Annual Employer Contributions
NYCERS	$ 14,000	$ 12,000	$ 1,400
NYCTRS	14,000	12,000	1,400
BERS	9,000	8,000	900
POLICE	23,000	20,000	2,300
FIRE	26,000	23,000	2,700

1 Equals increase in APVB minus increase in APV of future member contributions.

OTHER COSTS: The enactment of this proposed legislation would result in some administrative expenses for the NYCRS and costs for Other Post-Employment Benefits (OPEB).

CENSUS DATA: The census data used for estimates of APV of benefits and employer contributions presented herein are the active members included in the June 30, 2015 (Lag) actuarial valuations of NYCERS, NYCTRS, BERS, POLICE, and FIRE used to determine the Preliminary Fiscal Year 2017 employer contributions.

ACTUARIAL ASSUMPTIONS AND METHODS: The additional APV of benefits and employer contributions attributed to per member per year of service purchased presented herein have been estimated as of June 30, 2016 on an approximation basis.

A more robust analysis would also use various approximating techniques and assumptions by the Actuary, including, but not limited to:

* A certain percentage of veterans being honorably discharged.

* A certain percentage of honorably discharged veterans being disabled.

* Varying percentages of members of each of the NYCRS with prior military service.

Since benefiting from the provisions of this proposed legislation is dependent upon actions by Plan members and the timing and amounts of military service to be purchased are unknown, the actual financial impact can differ upon receipt of updated service credit information by the Actuary.

Consequently, changes in employer contributions have been estimated assuming the increase in the APV of Future Employer Contributions will be financed over a time period comparable to that used for actuarial losses under the Entry Age Actuarial Cost Methods. Using this approach, the Additional APV of Future Employer Contributions is amortized over a closed 15-year period (14 Payments under One-Year Lag Methodology) using level dollar payments.

STATEMENT OF ACTUARIAL OPINION: I, Sherry S. Chan, am the Chief Actuary for the New York City Retirement Systems. I am an Associate of the Society of Actuaries, a Fellow of the Conference of Consulting Actuaries and a Member of the American Academy of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

FISCAL NOTE IDENTIFICATION: This estimate is intended for use only during the 2016 Legislative Session. It is Fiscal Note 2016-11, dated March 18, 2016, prepared by the Chief Actuary for the New York City Employees' Retirement System, the New York City Teachers' Retirement System, the New York City Board of Education Retirement System, the New York City Police Pension Fund, and the New York Fire Department Pension Fund.

FISCAL NOTE. -- Pursuant to Legislative Law, Section 50:

This bill would amend subdivision 2 of Section 1000 of the Retirement and Social Security Law to add Afghanistan to the list of theaters of operations in which a member of a public retirement system of New York State may claim service credit. A member may claim service credit for up to three years of military service performed during hostilities participated in by the military forces of the United States, from the second day of August, nineteen hundred ninety, to the end of such hostilities. A member must have at least five years of credited service to be eligible and make application for such credit before the effective date of retirement. To obtain such credit, a member must make payments as required in Section 1000 of the Retirement and Social Security Law. Tier 1, 2, 3, 4 and 5 members are required to pay three percent of salary earned during the twelve months of credited service immediately preceding the year in which a claim is made for each year of military service. Tier 6 members are enquired to pay six percent of salary earned during the twelve months of credited service immediately preceding the year in which a claim is made for each year of military service. This act shall take effect immediately and shall be deemed to be in full force and effect on and after December 21, 1998.

It is not possible to determine the total annual cost to the employers of members of the New York State Teachers' Retirement System since the total amount of service credit which would be claimed under this bill cannot be estimated. However, the cost to the employers of members of

the New York State Teachers' Retirement System is estimated to be $19,700 per year of service credited for Tier 1, 2, 3, 4 and 5 members and $15,200 per year of service credited for Tier 6 members if this bill is enacted. The cost is estimated to be, on average, approximately $80,000 for each retired member claiming service credit under this bill if enacted, including payments retroactive to their date of retirement.

Employee data is from the System's most recent actuarial valuation files, consisting of data provided by the employers to the Retirement System. Data distributions and statistics can be found in the System's Comprehensive Annual Financial Report (CAFR). System assets are as reported in the System's financial statements, and can also be found in the CAFR. Actuarial assumptions and methods are provided in the System's Actuarial Valuation Report.

The source of this estimate is Fiscal Note 2016-12 dated March 4, 2016 prepared by the Actuary of the New York State Teachers' Retirement System and is intended for use only during the 2016 Legislative Session. I, Richard A. Young, am the Actuary for the New York State Teachers' Retirement System. I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

FISCAL NOTE. -- Pursuant to Legislative Law, Section 50:

This bill would extend the benefits of Chapter 548, Laws of 2000 to members and retirees of public retirement systems in New York State who rendered any military service during the period of conflict in Afghanistan and were assigned to the theater of operations. The total service credit granted for any military service shall not exceed three (3) years. Members must have at least five years of credited service (not including military service). Tier 1-5 members and retirees would be required to make a payment of three percent of their most recent compensation per year of additional service credit granted by this bill. Tier 6 members and retirees would be required to make a payment of six percent of their most recent compensation per year of additional service credit.

If this bill is enacted, insofar as this proposal affects the New York State and Local Employees' Retirement System (ERS), it is estimated that the past service cost will average approximately 15% (12% for Tier 6) of an affected members' compensation for each year of additional service credit that is purchased. For members who retired on or after December 21, 1998 there would be additional costs for payments which will be paid retroactive to their date of retirement.

Insofar as this proposal affects the New York State and Local Police and Fire Retirement System (PFRS), it is estimated that the past service cost will average approximately 19% (16% for Tier 6) of an affected members' compensation for each year of additional service that is purchased. For members who retired on or after December 21, 1998 there would be additional costs for payments which will be paid retroactive to their date of retirement.

The exact number of current members as well as future members who could be affected by this legislation cannot be readily determined.

As this legislation states "None of the provisions of this act shall be subject to Section 25 of the Retirement and Social Security Law", these past service costs would be shared by the State of New York and the participating employers in the ERS and the PFRS.

Summary of relevant resources:

The membership data used in measuring the impact of the proposed change was the same as that used in the March 31, 2015 actuarial valu-

ation. Distributions and other statistics can be found in the 2015 Report of the Actuary and the 2015 Comprehensive Annual Financial Report.

The actuarial assumptions and methods used are described in the 2015 Annual Report to the Comptroller on Actuarial Assumptions, and the Codes Rules and Regulations of the State of New York: Audit and Control.

The Market Assets and GASB Disclosures are found in the March 31, 2015 New York State and Local Retirement System Financial Statements and Supplementary Information.

I am a member of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

This estimate, dated December 17, 2015 and intended for use only during the 2016 Legislative Session, is Fiscal Note No. 2016-21, prepared by the Actuary for the New York State and Local Retirement System.